

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 ERDA-05 CEA-01 DODE-00

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7474

INFO AMEMBASSY BONN

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 4227

HONG KONG FOR TREASURY REP

E.O. 11652: GDS

TAGS: EFIN ENRG EALR ID

SUBJ: ENERGY: GOI/PERTAMINA PROGRESS IN RESOLVING
FINANCIAL DIFFICULTIES

REF: A. JAKARTA 4104

B. JAKARTA 3837

C. JAKARTA 3454 (NOTAL)

D. JAKARTA 3195 (NOTAL)

1. SUMMARY. PRELIMINARY REVIEW PRINCIPAL PERTAMINA
PROJECTS NOW COMPLETED. PRESENT TIMETABLE CALLS FOR
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FINAL REVIEW AND DECISION WITHIN NEXT FEW WEEKS BY

PRESIDENT SUHARTO ON MAGNITUDE PERTAMINA PROJECTS TO BE FOLLOWED, WITHIN ONE MONTH, BY PREPARATION OF PERTAMINA'S 1975 BUDGET WHICH WILL PROBABLY TOTAL ABOUT \$3.5 BILLION. END SUMMARY.

2. FOLLOWING REPORT IS BASED ON TWO RECENT CONVERSATIONS WITH IR. WIJARSO, GOI DIRECTOR OIL AND GAS (MIGAS) AND JOHN ABDI, PERTAMINA'S ASSISTANT FINANCE DIRECTOR. PLEASE PROTECT.

3. ON MARCH 31 MIGAS DIRECTOR, WORKING WITH KEY BANK INDONESIA AND PERTAMINA OFFICIALS, COMPLETED INITIAL REVIEW MAJOR PERTAMINA PROJECTS FOR SUBMISSION TO PERTAMINA'S PRESIDENT DIRECTOR (GENERAL IBNU SUTOWO) FOR COMMENT. DURING REVIEW MIGAS DIRECTOR PARED PROJECTS AND RECOMMENDED DEFERRAL OF OTHERS. REVISED LIST TO BE REVIEWED JOINTLY BY GENERAL IBNU, GOVERNOR BANK INDONESIA (RACHMAT SALEH) AND WIJARSO. RESULTANT LIST WILL BE SUBMITTED TO PRESIDENT SUHARTO FOR DISCUSSION AND DECISION BY PRESIDENT IN JOINT MEETING WITH STATE SECRETARY GENERAL SOEDHARMONO. GENERAL IBNU, RACHMAT SALEH AND FIVE MEMBERS PERTAMINA'S BOARD OF COMMISSIONERS. PRESIDENT ALSO EXPECTED TO DECIDE WHICH PERTAMINA ACTIVITIES WILL BE ASSUMED BY OTHER GOI AGENCIES. IN ADDITION TO KRAKATAU STEEL (REF B), PERTAMINA'S TELECOMMUNICATIONS AND HOTEL/MOTEL OPERATIONS ARE PRIME CANDIDATES FOR TRANSFER.

4. NO LATER THAN ONE MONTH AFTER PRESIDENTIAL DECISION ON PROJECTS, PERTAMINA WILL DEVELOP 1975 BUDGET. VERY PRELIMINARY ESTIMATE IS THAT CAPITAL BUDGET (EXCLUDING KRAKATAU, AND OTHER MAJOR PROJECTS ALREADY FINANCED, E.G., CILACAP REFINERY, LNG PROJECTS) WILL BE ABOUT \$1.5 BILLION AND OPERATIONS BUDGET ABOUT \$2.0 BILLION. LARGE PART OF BUDGET TO BE DEVOTED TO EXPANDING DOMESTIC DISTRIBUTION AND MARKETING SYSTEM GIVEN CONSTANTLY INCREASING (12-14 PERCENT ANNUALLY) DEMAND FOR PETROLEUM PRODUCTS.

5. ALTHOUGH PERTAMINA'S DEBT INVENTORY STILL INCOMPLETE, VERY PRELIMINARY FIGURES INDICATE FOLLOWING DEBT NOW CONFIDENTIAL

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REMAINS UNLIQUIDATED AND WILL FALL DUE IN NEXT 12 MONTHS (REF D.).

A. SHORT -TERM BANK DEBT --\$600 MILLION

B. L/C'S--\$300 MILLION

C. LONG-TERM--\$150 MILLION

D. PROMISSORY NOTES--UNKNOWN

IN ADDITION TO L/C'S PERTAMINA/BI ESTIMATE PERTAMINA NOW IN ARREARS ABOUT \$200 MILLION TO DOMESTIC AND

FOREIGN CONTRACTORS. CLAIMS ARE NOW BEING PAID BY BI UPON VERIFICATION PERTAMINA. FINALLY, BI HAS ALSO TO PAY OFF \$230 MILLION OF SHORT-TERM BORROWINGS OF BANK DAGANG NEGARA FOR KRAKATAU PROJECT. THESE DATA CONFIRM EARLIER MISSION ESTIMATE OF \$1.5 BILLION LIABILITIES TO BE DEALT WITH, IN PART BY GOVERNMENT BORROWINGS ON LONGER TERM.

6. PERTAMINA HAS ASKED ARTHUR YOUNG ACCOUNTANTS, INC., TO INCREASE EXPATRIATE ACCOUNTING GROUP FROM FOUR TO SIX (REF C). ABDI EXPECTS 1974 FINANCIALS (BALANCE SHEET, PROFIT AND LOSS STATEMENT) TO BE COMPLETED NO LATER THAN JUNE 1975. 1975 FINANCIALS SCHEDULED FOR COMPLETION APRIL 1976 AND AUDITED, "EITHER POSITIVELY OR NEGATIVELY", BY AUGUST 1976. 1972 AND 1973 ANNUAL REPORT WITH FINANCIALS, PREPARED BY PERTAMINA WITH ASSISTANCE FROM ARTHUR YOUNG AND LEHMAN BROS., NOW BEING PRINTED BY PERTAMINA. ENGLISH TEXT SHOULD BE READY FOR DISTRIBUTION IN ABOUT ONE MONTH.

7. PERTAMINA/GOI WILL DECIDE SHORTLY MECHANISM FOR FUTURE CONTACT WITH US EXIM BANK CONCERNING FINANCING FOR EXISTING AND FUTURE PROJECTS, IT APPEARS LIKELY FUTURE NEGOTIATIONS WITH EXIM WILL BE UNDERTAKEN JOINTLY BY PERTAMINA/BI.

8. COMMENT: ALL REPORTS DEMONSTRATE GOI/PERTAMINA CONTINUE TO GIVE PERTAMINA FINANCIAL SITUATION PRIORITY AND HIGH LEVEL ATTENTION. RESULTS SO FAR ARE ENCOURAGING. NEWSOM

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